

# JOINT REPUBLICAN CAUCUS BUDGET PRIORITIES

2001-02



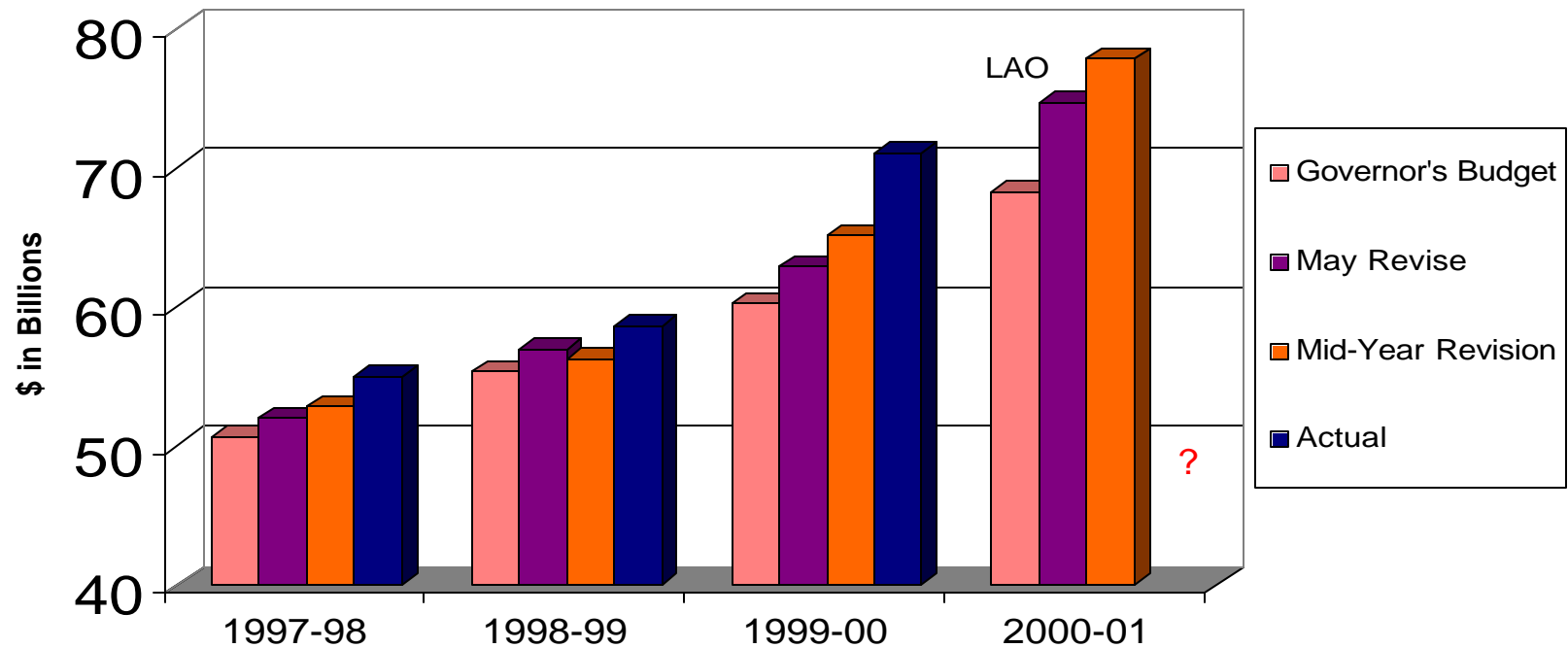
**James L. Brulte**  
Senate Republican Leader

**Dave Cox**  
Assembly Republican Leader

As presented in  
December 2000

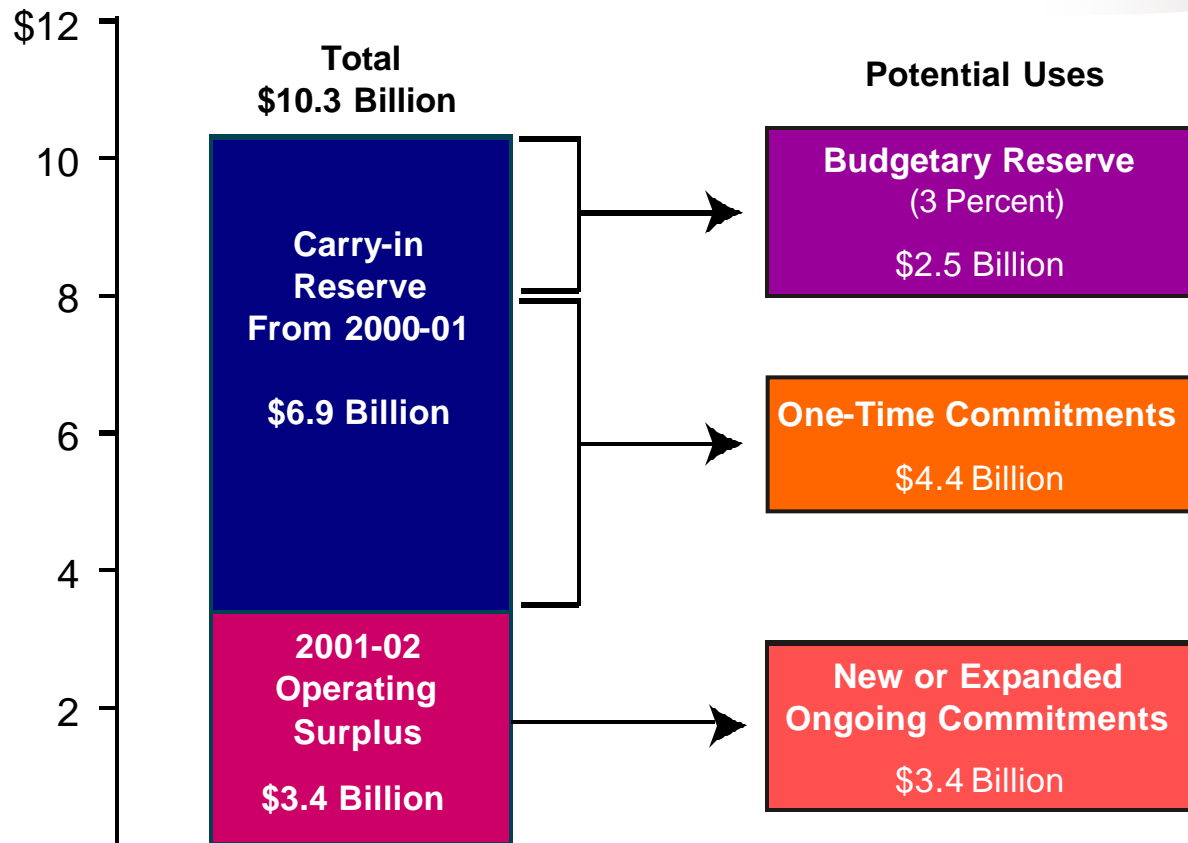


# *In Recent Years, Revenues Have Exceeded Forecasts, Resulting In Large Surpluses*



# *LAO Projected 2001-02 Surplus Sources and Potential Uses*

(In Billions)



Source:  
**legislative  
analyst's  
office**

# *Republican Priorities*



- In addressing the opportunities presented by the surpluses of recent years, Assembly and Senate Republicans have emphasized the following priorities:
  - Increased funding for education
  - Expanding the State's budgetary commitment on a pay-as-you-go basis to public works and transportation
  - Investing in law enforcement and public safety
  - Strengthening the safety net
  - Returning money to the taxpayers
- This year, Senate and Assembly Republicans are joining together to make specific proposals for the surplus based on these priorities.

# Joint Republican Caucus Priorities 2001-02

## Funding Summary



	<u>One-time</u>	<u>Ongoing</u>
LAO Estimate of Surplus	\$6,857 million	\$3,393 million
Set-Aside for a 3-Percent Reserve	<u>-\$2,431</u>	<u>--</u>
<b><i>Available</i></b>	<b><i>\$4,426 million</i></b>	<b><i>\$3,393 million</i></b>
Public Safety	\$710 million	
Education	\$1,000	\$329 million
Infrastructure	\$1,000	\$500
Safety Net	\$15	\$430
Tax Relief	<u>\$1,714</u>	<u>\$1,835</u>
<b><i>Total</i></b>	<b><i>\$4,439 million</i></b>	<b><i>\$3,094 million</i></b>

Note: Of the \$710 million for public safety, \$700 million is infrastructure-related; thus, the total one-time infrastructure proposal is \$1,700 million

# *Joint Republican Caucus Priorities 2001-02*

## *Public Safety*



	<u>One-time</u>	<u>Ongoing</u>
<b><i>Public Safety Technology Grants</i></b>	<b><i>\$100 million</i></b>	<b><i>--</i></b>

- Each City Police Chief, County Sheriff, and special police protection district will receive a minimum of \$150,000, with the balance allocated based on population.
- Funds are used for law enforcement technology based on local needs and priorities, which in the current year have included radio equipment, police cars, and computer technology such as the Livescan Fingerprint System.

# *Joint Republican Caucus Priorities 2001-02*

## *Public Safety*



	<u>One-time</u>	<u>Ongoing</u>
<i>Local Jails and Juvenile Facilities</i>	<i>\$400 million</i>	<i>--</i>

- California's local detention facilities are dangerously overcrowded. Federal courts have imposed population caps in 20 counties. Over 200,000 prisoners are released early each year due to overcrowding.
- These funds would be available on a competitive basis through the Board of Corrections, with preference to counties under population caps.
- The funds will be used to construct, renovate, or expand local jails and juvenile detention facilities.

# *Joint Republican Caucus Priorities 2001-02*

## *Public Safety*



### *Crime Labs*

One-time

**\$200 million**

Ongoing

--

- California's crime labs need major capital improvements to keep up with law enforcement's rapidly evolving need for forensic support.
- Proposition 15 was designed to address these needs but was flawed by reliance on expensive bond financing.
- Last year, Republicans proposed pay-as-you-go funding for crime labs and the Governor ultimately approved \$96 million General Fund for a new lab in Los Angeles County.
- This proposal addresses the needs in the remainder of the State.

# *Joint Republican Caucus Priorities 2001-02*

## *Public Safety*



	<u>One-time</u>	<u>Ongoing</u>
<b><i>Project Exile</i></b>	<b><i>\$10 million</i></b>	<b><i>--</i></b>
<ul style="list-style-type: none"><li>• In 1997, the U.S. Attorney's Office in Richmond, VA developed and carried out an aggressive innovative, and creative approach to firearm violence called Project Exile. Under this program, the U.S. Attorney's Office federally prosecutes all felons with guns in federal court.</li><li>• Project exile fully integrates and coordinates local police, state police federal investigators (BATF/FBI), and local and federal prosecutors, to promptly arrest, incarcerate, detain without bond, prosecute and sentence the armed criminal.</li><li>• This proposal appropriates \$10 million to the California Attorney General for start-up funding to be allocated competitively.</li></ul>		

# *Joint Republican Caucus Priorities 2001-02*

## *Education*



- Despite the availability of surplus “one-time” General Fund dollars over the past few years, the State has not allocated a single dollar for K-12 school construction purposes.
- Providing safe, adequate classrooms is an integral part to the success of students and schools.
- In 2001-02, the State expects \$4.4 billion to be available for one-time purposes. Assembly and Senate Republicans propose making education a high priority for the use of those funds, dedicating almost a quarter of all one-time funds to building schools.

# *Joint Republican Caucus Priorities 2001-02*

## *Education*



### *K-12 School Construction*

<u>One-time</u>	<u>Ongoing</u>
<b><i>\$1 billion</i></b>	<b><i>--</i></b>

- Fully fund all applications before the State Allocation Board for new K-12 construction or major renovation and reconstruction projects that would alleviate classroom overcrowding.
- Assembly and Senate Republicans believe that California can be paying for school facilities *today*, instead of waiting to pass bond measures *tomorrow*.
- Remove technical barrier that hinders the State from appropriating “one-time” General Fund monies to districts to build more schools.

# *Joint Republican Caucus Priorities 2001-02*

## *Education*



- \$800 million to provide the state's 50% share of funding as envisioned under the current school construction program, as well as financial hardship dollars that would be available to districts in need of additional relief.
- \$200 million for a "Small School District Assistance Program" and a "Charter School Start-Up In Low Performing Areas Program" earmarked to provide new construction funds to small school districts and new charter schools that have difficulty or are unable to raise matching funds for school construction.

# *Joint Republican Caucus Priorities 2001-02*

## *Education*



- There is approximately \$800 million worth of new construction project applications before the State Allocation Board (SAB) that have come to a halt as a result of a pending lawsuit. The Republican education infrastructure plan will fund all new construction applications approved by the SAB as of November 2000.
- Over 200 qualified new construction projects can receive an allocation without being caught up in further litigation delays.
- If the Republican proposal were passed today, the following school districts could receive funding immediately:

# *Joint Republican Caucus Priorities 2001-02*

## *Education*



Allensworth Elementary	\$143,154	Alum Rock Union Elementary	\$36,873
Anaheim City	\$5,283,424	Arena Union Elementary	\$352,478
Bakersfield City Elementary	\$3,031,700	Beaumont Unified	\$1,737,600
Bellflower Unified	\$10,133,393	Benicia Unified	\$6,662,742
Brittan Elementary	\$3,008,296	Capistrano Unified	\$558,361
Center Unified	\$4,436,100	Chino Valley Unified	\$38,425,528
Clay Joint Elementary	\$1,559,268	Clovis Unified	\$4,961,283
Coachella Valley Unified	\$108,334,980	Columbia Union Elementary	\$430,580
Contra Costa COE	\$164,400	Corona-Norco Unified	\$3,945,600
Dixon Unified	\$5,507,895	Dublin Unified	\$2,660,364
Elk Grove Unified	\$7,514,943	Encinitas Union Elementary	\$6,418,224
Eureka Union Elementary	\$589,065	Fontana Unified	\$2,983,586
Fresno Unified	\$21,269,980	Garfield Elementary	\$1,516,844
Golden Valley Unified	\$7,443,079	Grant Elementary	\$597,856
Hemet Unified	\$6,680,452	Inyo COE	\$1,729,728
Jefferson Elementary	\$17,120,080	Kingsburg Joint Union High	\$3,638,151
Laguna Beach Unified	\$1,863,904	Lake COE	\$258,616

# *Joint Republican Caucus Priorities 2001-02*

## *Education*



Lake Elsinore Unified	\$37,645,402
Lennox Elementary	\$24,583,292
Little Lake City Elementary	\$2,167,772
Loomis Union Elementary	\$4,046,814
Los Banos Unified	\$11,572,779
Mammoth Unified	\$1,998,431
Menifee Union Elementary	\$9,820,053
Moreno Valley Unified	\$1,790,864
Murrieta Valley Unified	\$5,521,324
Newhall Elementary	\$2,553,122
Norris	\$2,529,745
Ocean View Elementary	\$536,371
Palm Springs Unified	\$2,091,779
Parlier Unified	\$5,730,902
Perris Elementary	\$9,051,264
Placer COE	\$839,262
Riverside COE	\$1,667,254

Lemoore Union High	\$3,631,862
Lincoln Unified	\$5,075,393
Long Beach Unified	\$4,327,991
Los Angeles COE	\$2,480,268
Lynwood Unified	\$896,784
Manteca Unified	\$2,178,660
Mesa Union Elementary	\$1,155,957
Morgan Hill Unified	\$9,744,270
Natomas Unified	\$7,111,534
Nicasio Elementary	\$429,673
Nuvview Union	\$17,423,618
Oxnard Elementary	\$3,929,004
Palmdale Elementary	\$25,256,060
Paso Robles Joint Unified	\$5,669,240
Pierce Joint Unified	\$3,924,434
Pomona Unified	\$2,476,896
Salinas City Elementary	\$28,820,042

# *Joint Republican Caucus Priorities 2001-02*

## *Education*



San Bernardino COE	\$2,942,672	San Gabriel Unified	\$20,590,326
San Luis Obispo COE	\$586,100	San Jose Unified	\$2,685,801
San Pasqual Union	\$14,447,700	Saugus Union Elementary	\$657,600
Sequoia Union High	\$2,128,736	Sierra-Plumas Joint Unified	\$874,160
Snowline Joint Unified	\$3,271,114	South Pasadena Unified	\$1,564,213
Sundale Union Elementary	\$2,426,740	Sweetwater Union High	\$48,465,294
Tehachapi Unified	\$19,370,335	Temecula Valley Unified	\$101,550,492
Tustin Unified	\$7,669,772	Val Verde Unified	\$2,146,344
Ventura Unified	\$2,580,658	West Contra Costa Unified	\$14,604,081
West Fresno Elementary	\$303,510	Westminster Elementary	\$8,042,414
West Sonoma County Union High	\$2,625,049	William S. Hart Union High	\$11,183,059
Willits Unified	\$1,705,000	Windsor Unified	\$729,950
Winters Joint Unified	\$1,472,017		

Source: Office of Public School Construction Workload List

# *Joint Republican Caucus Priorities 2001-02*

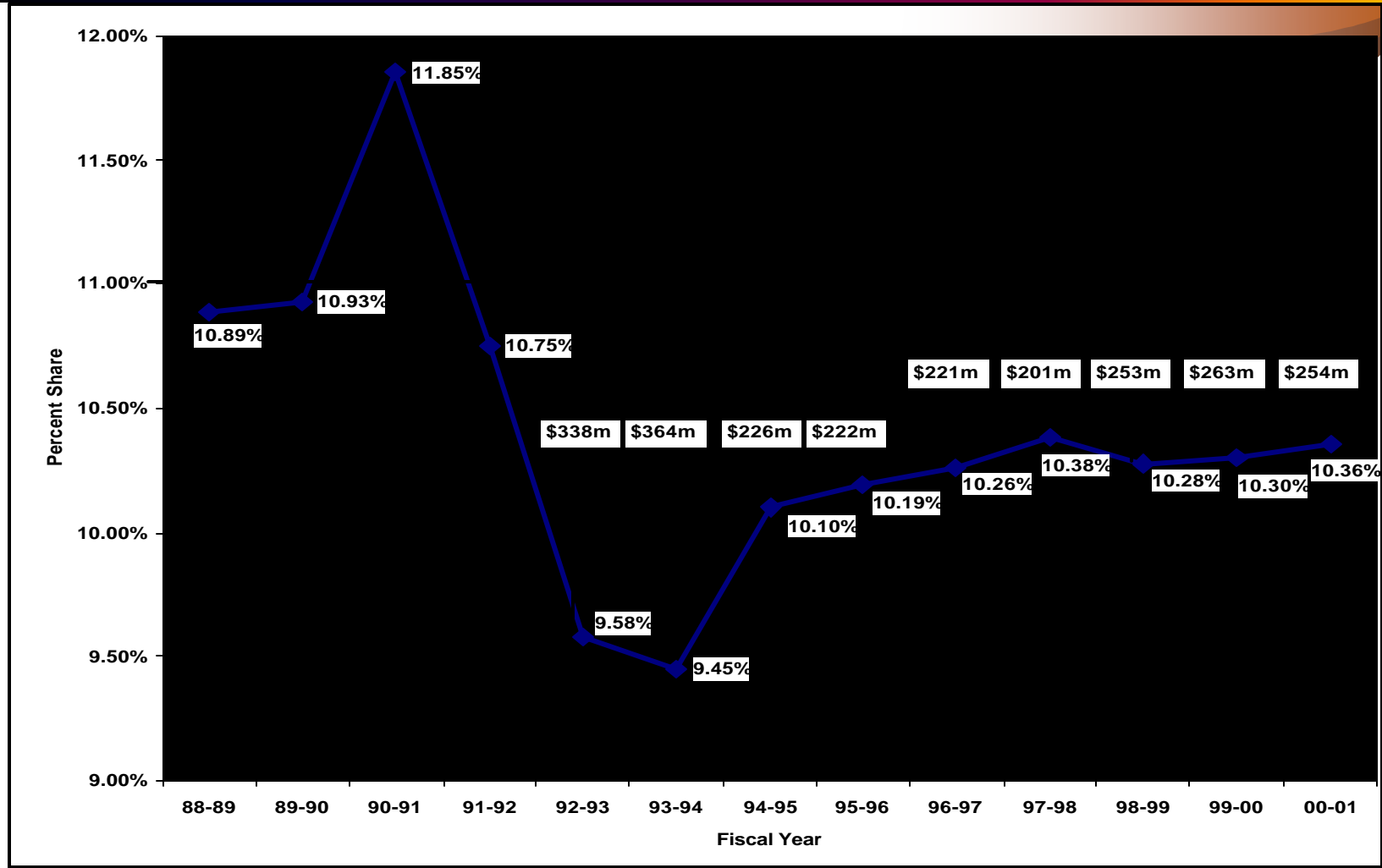
## *Education*



	<u>One-time</u>	<u>Ongoing</u>
<i>Community College 11% Funding Goal</i>	--	<i>\$320 million</i>

- Community colleges have long been ignored and last year's budget provided community colleges with only 10.36 percent of the Prop. 98 funds.
- Compared to the other two higher education segments, the 2000-01 Budget Act again gave community colleges a lower priority.
- Assembly and Senate Republicans believe that community colleges provide the foundation for all future education and should not be overlooked. The State should honor its commitment to provide enough resources to meet the funding goals.

# *Percentage Share of Prop. 98 Education Funds Received By Community Colleges*



Source: Chancellor's Office of the California Community Colleges.

# *Joint Republican Caucus Priorities 2001-02*

## *Education*



### *Education Savings Accounts and Tax Benefits*

#### *Scholarshare-*

- Provide a tax credit against the annual contribution into a Scholarshare account.
- Scholarshare contributions must currently be made from taxable resources up to \$500 annually, with trust earnings taxed when withdrawn for college expenses.

One-time

--

Ongoing

\$8 million

#### *Loaned Teacher Tax Credit-*


- Permit employers to claim a tax credit equal to 50 percent of the expense of loaning an employee to schools.
- Provides incentive for employers to loan qualified employees to teach math or science in public schools.

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\$1 million

# *Joint Republican Caucus Priorities 2001-02*

## *Infrastructure: The 20-20 Vision*



- Last year Republicans insisted on more pay-as-you-go investment.
- Governor Davis adopted the Republican proposal to dedicate the sales tax on gasoline to transportation for the next five years.
- This is a good start, but billions more are needed for California's schools, roads and other vital public works.

**The 20-20 Vision: Republicans propose to commit \$127 billion over the next 20 years to rebuild California without new taxes or bond debt.**

# *Joint Republican Caucus Priorities 2001-02*


## *Infrastructure: The 20-20 Vision*

**\$3.1 billion in new public works spending now;  
\$127 billion investment over the next 20 years**

	<u>One-time</u>	<u>Ongoing</u>
<b>School Construction</b>	\$1,000 million	
<b>Local Streets and Roads</b>	\$500 million	
<b>Criminal Justice Facilities</b>	\$400 million	
<b>Crime Labs</b>	\$200 million	
<b>20-20 Vision: Public Works</b>	\$500 million	\$500 million
<b>Total New Public Works Investment</b>	<b>\$2.6 billion</b>	<b>\$500 million</b>

# *Joint Republican Caucus Priorities 2001-02*

## *Infrastructure: The 20-20 Vision*



California's infrastructure needs are large and growing

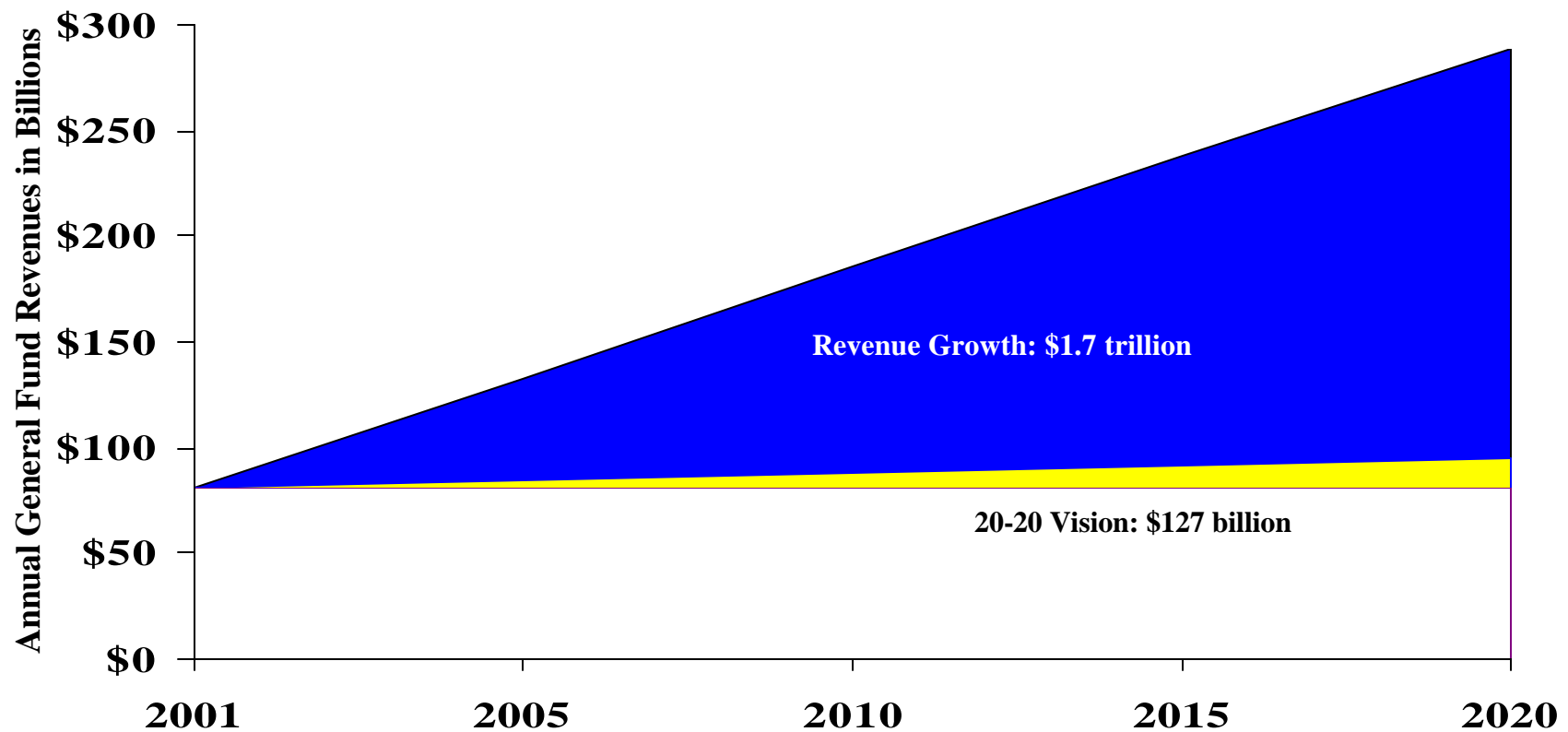
- Traffic congestion has doubled in ten years (source: LAO)
- \$118 billion in unmet transportation needs (source: CTC)
- 434 new schools needed in five years (source: DOE)
- Over \$50 billion to replace portable classrooms, construct K-12 schools and expand higher education facilities (sources: DOE, CA Business Roundtable)
- Over \$20 billion needed for correctional facilities, water and natural resources (sources: DOF, CA Environmental Dialogue)

Meeting these needs requires a fundamental change in the State's priorities

# *Joint Republican Caucus Priorities 2001-02*


## *Infrastructure: The 20-20 Vision*

Over 20 years the 20-20 Vision plan invests 8% of revenue growth to raise \$127 billion for vital public works



# *Joint Republican Caucus Priorities 2001-02*

## *Infrastructure: The 20-20 Vision*



### **Local Control & Safeguards**

- Local governments share the 20-20 Vision funds to address their priority transportation, education, water and other vital needs.
- 20-20 Vision investments ramp up until 5% of the General Fund is committed to infrastructure investments.
- State sales tax on gasoline is permanently dedicated to roads.
- Growth in public works investments will not exceed 10% of the annual growth in General Fund revenues.
- Proposition 98 funding for education is explicitly protected.
- Self-correcting: As growth and revenues rise, so will infrastructure investments. In a recession, investment levels drop, protecting other programs.

# *Joint Republican Caucus Priorities 2001-02*

## *Infrastructure: The 20-20 Vision*

**Double your money:** Pay-as-you-go investment is far more cost-effective than issuing bonds



•**Pave Main Street, not Wall Street:** Every dollar of pay-as-you-go investment goes into a road or a school. For every project dollar borrowed, another 93 cents is paid in interest.

# *Joint Republican Caucus Priorities 2001-02*

## *Safety Net*



	<u>One-time</u>	<u>Ongoing</u>
Medi-Cal Rate Increases	--	\$430 million

- Medi-Cal reimbursement rates must be increased again this year to improve access to health care for disadvantaged children and their families. It serves no purpose to increase eligibility entitlements as our current system struggles to provide adequate care to those already eligible.
- Republicans are proposing a 25 percent rate increase for physicians, dentists, outpatient facilities and clinics, as well as many other providers who serve Medi-Cal clients.

# *Joint Republican Caucus Priorities 2001-02*

## *Safety Net*



	<u>One-time</u>	<u>Ongoing</u>
Senior & Disabled Home Modification Loans	\$15 million	—

- Provides no interest loans to seniors and disabled persons for home modifications that would assist in daily living activities.
- These modifications (i.e. bathroom handrails) may also help to prevent injuries.

# *Joint Republican Caucus Priorities 2001-02*

## *Tax Relief*

- \$3.2 billion in tax relief for working families.
- \$265 million in job creating tax credits.



# *Joint Republican Caucus Priorities 2001-02*

## *Tax Relief*

**California Ranks 8th Out of 50 in State Tax burdens.**

<u>Rank</u>	<u>State</u>	<u>Per Capita Tax Burden</u>
1	Connecticut	\$2,932
2	Delaware	\$2,695
3	Hawaii	\$2,671
4	Minnesota	\$2,614
5	Massachusetts	\$2,386
6	Michigan	\$2,366
7	Wisconsin	\$2,215
<b>8</b>	<b>California</b>	<b>\$2,184</b>
9	Washington	\$2,143
10	New York	\$2,127
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48	Texas	\$1,281
49	South Dakota	\$1,184
50	New Hampshire	\$891

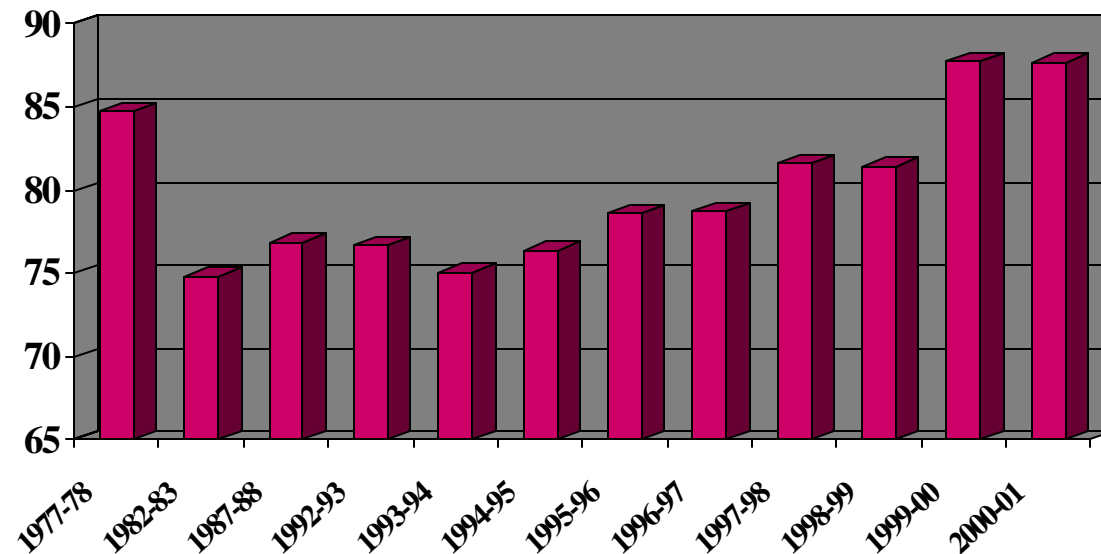
Source: U.S.Census Data, Released October, 2000

# *Joint Republican Caucus Priorities 2001-02*

## *Tax Relief*

**State Tax Burdens Now Exceed Pre-Proposition 13 Levels.**

State Taxes Per \$1,000 of Personal Income

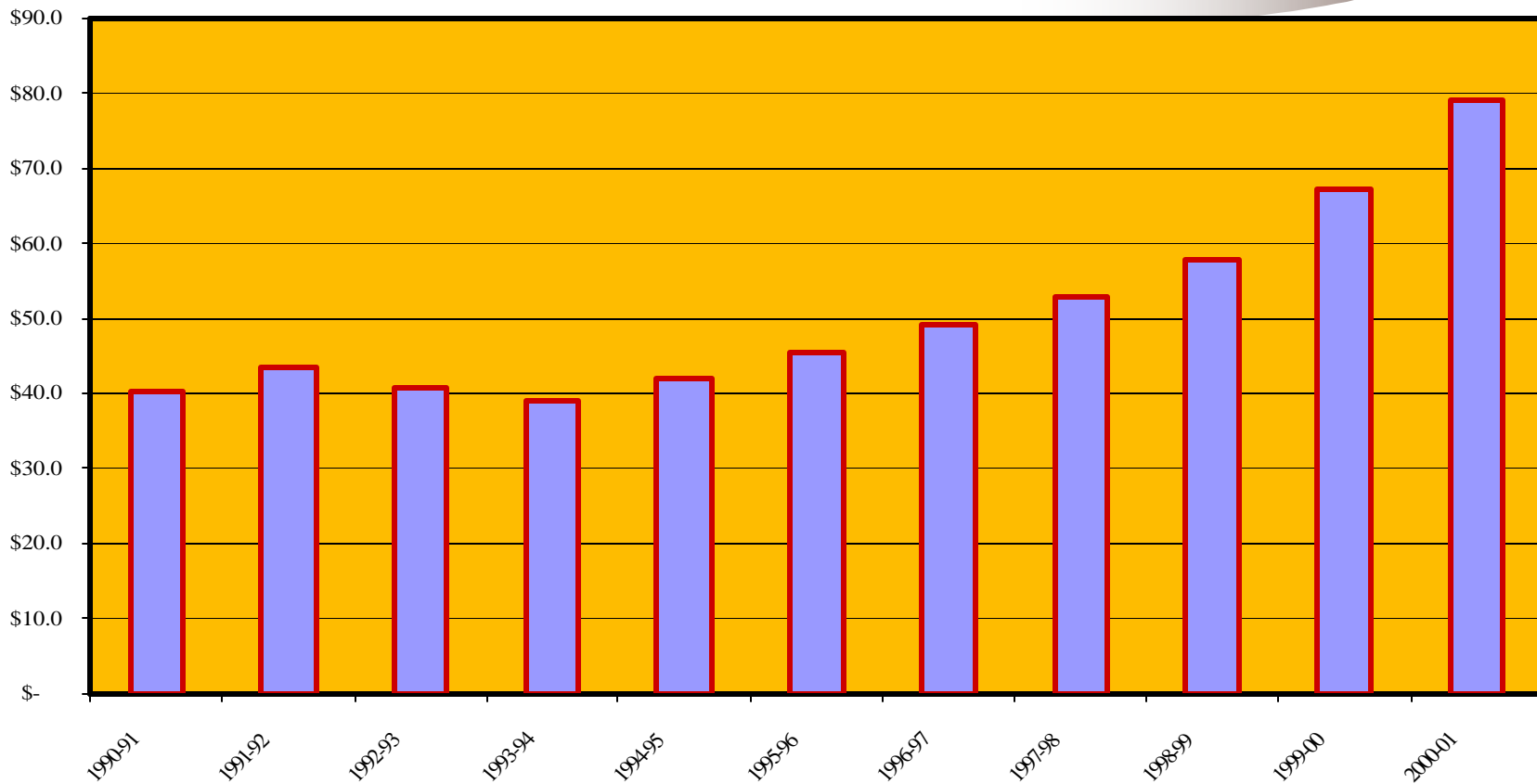


Source Data: Legislative Analyst Office

# *Joint Republican Caucus Priorities 2001-02*

## *Tax Relief*

Fiscal year 1990-91 through 2000-01  
(dollars in billions)



**General Fund Expenditures Have Grown 37 Percent in Just the Last Two Years.**

# *Joint Republican Caucus Priorities 2001-02*

## *Tax Relief*

### **\$3.3 Billion in Tax Relief**

	<u>One-time</u>	<u>Ongoing</u>
<b>Increase Dependent Credit:</b> Increase dependent exemption credit from \$235 to \$355 to move toward federal parity.		<b>\$500 million</b>
<b>Suspend Sales Tax On Gasoline:</b> Enact a one year moratorium on gasoline sales tax.	<b>\$1,500 million</b>	
<b>Eliminate Car Tax:</b> Continue the phase out of the car tax.		<b>\$500 million</b>
<b>Abolish 1/4 Cent Sales Tax:</b> Permanently repeal the temporary 1/4 cent sales tax.		<b>\$570 million</b>
<b>Extend Senior Citizens Property Tax Assistance:</b> Continue this year's extra tax relief for senior homeowners & renters.	<b>\$214 million</b>	
<b>Total Working Family Tax Relief</b>	<b>\$1,714 million</b>	<b>\$1,570 million</b>

# *Joint Republican Caucus Priorities 2001-02*

## *Tax Relief*



### **Working Families Must Have a Portion of Their Hard-Earned Tax Dollars Returned to Them.**

- California's taxpayers have paid excess taxes in each of the last three years. The LAO projects a budget surplus of \$10.3 billion in 2001-02.
- General Fund spending has grown 37 percent in just the last two budget years, compared to inflation of only 6.5 percent.

# *Joint Republican Caucus Priorities 2001-02*

## *Tax Relief*



### **\$265 Million in Job Creating Tax Credits**

<b>Manufacturer's Investment Credit (MIC):</b> Increase from 6 to 8 percent.	<u>Ongoing</u> <b>\$91 million</b>
<b>Extend the MIC to Agriculture &amp; Mineral Extraction.</b>	<b>\$36 million</b>
<b>Basic Research &amp; Development Tax Credit:</b> Federal conformity.	<b>\$41 million</b>
<b>Alternative Research &amp; Development Credit:</b> Federal conformity.	<b>\$26 million</b>
<b>Net Operating Loss Carry Forward:</b> Federal conformity.	<b>\$7 million</b>
<b>Space Launch Equipment Sales Tax Exemption.</b>	<b>\$14 million</b>
<b>Carl Moyer Program:</b> Credits to businesses that invest in cleaner burning diesel fuel engines.	<b>\$50 million</b>
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<b>Total Job Creation Tax Credits</b>	<b>\$265 million</b>

# *Joint Republican Caucus Priorities 2001-02*

## *Tax Relief*



**A healthy business climate creates higher paying jobs for California's working families.**

- Republican tax credit proposals will create jobs in California's manufacturing, hi-tech, agriculture and aerospace sectors, which compete fiercely with other states to maintain their marketplace advantages.
- Republican federal conformity proposals help businesses compete on a level playing field with other states, and simplify the state's complicated tax codes.